

Message Text

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SUBJ: IRANIAN SOCIAL SECURITY LAW

REF: TEHRAN 10163

1. SUMMARY. ACCORDING TO DR BIJAN MOSHAVER, OF THE SOCIAL SECURITY ORGANIZATION, MINISTRY OF HEALTH AND SOCIAL WELFARE, HE WILL BE DRAFTING A PAPER SHORTLY STATING THE TERMS UNDER WHICH IRAN MIGHT CONSIDER NEGOTIATING EXEMPTIONS FROM THE REQUIREMENT OF THE NEW SOCIAL SECURITY LAW THAT ALL EXPATRIATES CONTRIBUTE. HE INDICATED THAT RECIPROCAL AGREEMENT FOR EXEMPTIONS OR ESTABLISHMENT OF PROCEDURE FOR TRANSFER OF PAYMENTS BETWEEN THE TWO SYSTEMS WOULD BE CONSIDERED. IT WAS SUGGESTED THAT IT WOULD EXPEDITE MATTERS IF THE US WOULD SUBMIT A DRAFT OF ITS POSITION IN THE NEAR FUTURE. THE EMBASSY'S REQUEST THAT PROCEDURES BE CONSIDERED TO AVOID DOUBLE TAXATION OF EXPATRIATE FIRMS AND INDIVIDUALS ALREADY PAYING INTO THE US SOCIAL SECURITY SYSTEM HAS BEEN RECONFIRMED FORMALLY BY DIPLOMATIC NOTE TO THE MINISTRY OF FOREIGN AFFAIRS. IN VIEW OF THE LENGTH OF TIME LIKELY TO BE INVOLVED IN NEGOTIATING SUCH AN AGREEMENT, POST SUGGESTS AS AN INTERIM MEASURE DEPT CONSULT WITH IRS REGARDING THE POSSIBILITY OF A RULING PERMITTING A TAX CREDIT FOR CONTRIBUTIONS MADE TO A FOREIGN SOCIAL

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SECURITY SYSTEM. END SUMMARY.

2. NEITHER DR YOUSEFIZADEH NOR UNDER SECY NEGHBAT RESPONDED IN ANY WAY TO AIDE-MEMOIRE DESPITE PROMISE REPORTED REFTEL TO REPLY SHORTLY. IN ABSENCE OF ANY RESPONSE, EMB SOUGHT APPOINTMENT AND MET WITH DR BIJAN MOSHAVER, DIR,

EDUCATION, RESEARCH AND INTERNATIONAL AFFAIRS, SOCIAL SECURITY ORGANIZATION, WHOSE NAME SURFACED AS PERSON MOST DIRECTLY INVOLVED WITH IMPLEMENTATION.

3. FOLLOWING INITIAL RECAPITULATION OF SUBSTANCE AIDE-MEMOIRE BY ECON COUNSELOR, MOSHAVER RESPONDED BY SAYING THAT 27 PERCENT RATE, IN CONJUNCTION WITH OTHER FACTORS SQUEEZING US BUSINESS OVERSEAS, IS DRIVING US FIRMS OUT OF COMPETITION. HE SAID THAT HE IS PERSONALLY VERY INTERESTED IN WORKING OUT AGREEMENT BECAUSE HE BELIEVES IRAN NEEDS TECHNOLOGICAL ASSISTANCE. HE DOES NOT WANT TO SEE US FIRMS PRICED OUT OF MARKET BECAUSE HE BELIEVES THEY PROVIDE BETTER QUALITY SERVICE THAN THEIR EUROPEAN COMPETITORS. HE ALSO COMMENTED THAT PERCENTAGE OF CORPORATE CONTRIBUTION IS PEGGED AT HIGH LEVEL BECAUSE FUNDING AN AMBITIOUS WELFARE PROGRAM IN EARLY STAGES, ESPECIALLY ONE WHICH INCLUDES IMMEDIATE PAYOFF ON MEDICAL BENEFITS, REQUIRES A HEALTHY INFUSION OF CASH AND MANY COMPANIES WILL CONTINUE TO EVADE TAX UNTIL ADEQUATE POLICING CAN BE IMPOSED BY MEAN OF COUNTRY-WIDE COMPUTERIZATION.

4. MOSHAVER SAID AGREEMENT MIGHT BE WORKED OUT ON ONE OF TWO PREMISES:

1. RECIPROCAL AGREEMENT FOR EXEMPTION, OR

2. PROVISION FOR TRANSFER OF PAYMENTS AND EXTENSION OF COVERAGE FROM ON SYSTEM TO ANOTHER.

5. MOSHAVER PRODUCED COPY OF NOTE SENT TO SWISS SOME MONTHS AGO SEEKING SOME INDICATION OF BASIS ON WHICH AGREEMENT COULD LIMITED OFFICIAL USE

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BE CONCLUDED, SAYING THAT NO REPLY HAS BEEN RECEIVED. HE WILL BE WORKING IN NEXT FEW WEEKS ON SUGGESTED DRAFT APPROACH FOR TRANSMISSION TO EMB AND SUGGESTED THAT MATTERS WOULD BE EXPEDITED IF US COULD PROVIDE A DRAFT TO HIM SHORTLY SETTING FORTH CONDITIONS UNDER WHICH EXEMPTIONS COULD BE NEGOTIATED.

6. EMB AGREED THAT SENDING COPY OF AIDE-MEMOIRE, PREVIOUSLY GIVEN DR YOUSEFIZADEH (REFTEL), IN FORM OF DIPLOMATIC NOTE THROUGH FOREIGN OFFICE WOULD ALSO BE DESIRABLE AND HAS DONE SO. AS BACKGROUND, COPY OF FOURTH EDITION (1969) OF THE SOCIAL SECURITY HANDBOOK HAS BEEN TRANSMITTED WITH NOTE AND COPY SENT TO MOSHAVER. NOTE ALSO REQUESTED COMMENT FROM GOI ON INCLUSION OF IRANIAN NATIONALS EMPLOYED BY THE EMB, PRESENTLY COVERED BY US GOVT PLAN, IN NEW GOI PLAN.

7. IN RESPONSE TO QUESTION ABOUT CONTINUATION OF EXEMPTIONS PROVIDED FOR IN NEGOTIATED CONTRACTS UNDER MILITARY JURISDICTION (REFTEL PARA 6), HE THOUGHT THAT PROCEDURE WOULD CONTINUE

BUT COULD NOT GIVE DEFINITIVE ANSWER.

8. IT IS POSSIBLE THAT MOST US FIRMS DOING BUSINESS HERE, WHO PERCEIVE OF "DOUBLE TAXATION" FEATURE OF EXPATRIATE CONTRIBUTIONS AS A PROBLEMS REGARDLESS OF TIME PERIOD OR DETAILS OF NEGOTIATION, WOULD BE SATISFIED IF IRS ISSUED A RULING ALLOWING THESE ADDITIONAL COSTS AS A FOREIGN TAX CREDIT.

9. ACTION SUGGESTED.

1. SUPPLY SUGGESTED DRAFT OR COMMENTS PER PARA 4 ABOVE FOR TRANSMISSION TO GOI AND MOSHAVER DIRECTLY (OR INFORMATION WHICH WOULD ASSIST HIM IN DRAFTING HIS PROPOSAL) AND

2. COMMENT AND/OR ACT ON SUGGESTION THAT WE SEEK IRS RULING.
HELMS

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